

2009 – on the cusp of change?

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It's sometime in the year 2015. New Zealand doesn't look a whole lot different. Still (mostly) clean and green, with lots of sheep and cows.

But things are different. Fundamentally different.

We have a leaner, slicker public sector. Agencies work together smarter to deliver public good outcomes, sharing core services, capabilities and infrastructure whilst retaining their raison d'être and focus.

Taxes are lower. Hospital waiting lists are getting shorter and we're seeing a steady increase in community health care providers accessing specialist expertise and services through a network connected health sector. There is a fast growing base of weightless industry – development of ideas, research and concepts for a content-hungry world. Delivery of services to a global market. Services proven in a kiwi test-bed at the bottom of the world.

Open source is mainstream. Smart techie expats who fled our shores for greener pastures in their droves are steadily streaming back, lured by the opportunity to viably establish niche ICT service development businesses able to access national and global markets from lifestyle locations.

A bit of tongue-in-cheek speculation on where we might be in 6 years, but will we look back on 2009 as a key change point?

Let's take a look at some of the biggies.

In Australia, the Rudd-led Labour party swept to power on a platform that included a massive broadband infrastructure investment. So close to home, and against the backdrop of the NZ Labour government's sweeping regulatory reforms culminating in the operational separation of Telecom, it is small wonder that broadband became an election issue in this country. That made it mainstream for an increasing number of New Zealanders.

The big step forward is that both the previous and incoming government are openly acknowledging the vital importance of effective, high-speed, broadband network infrastructure as a cornerstone of broad-based economic development. There is also acknowledgment of the inability of the supplier community, under current market models, to adequately provide that infrastructure in a manner that is in the national interest. The result? There will continue to be near unanimous support in parliament for measures that encourage investment in new infrastructure and enable healthy and vigorous competition at the layer that delivers services and capability to end users, business and consumer.

Price/performance, the measure of what you get for your buck, will improve year on year as the effects of real competition bed in and technology capability continues to march inexorably forward.

It is an empirical fact that the size of the public sector has increased significantly in recent years. It seems clear that bigger is not necessarily better when it comes to delivery of public value. The previous government began making moves to do things smarter in the public sector – particularly in respect of the leverage of ICT capability. But most of these initiatives have failed to get real traction due in part to a Public Management System that does not encourage ICT procurement people to think outside their agency silos.

The new government is likely to accelerate initiatives that position public sector agencies to leverage the scale of the state to influence the provision of ICT capability, both in a price/performance sense and in terms of pan-government leverage. This will be particularly evident in the high consumption areas of health, education and social services, where finite resources need to be channeled as effectively as possible into direct outcomes for constituents. The economy will benefit from productivity improvements in these sectors.

But all this could be held up by the ongoing ICT skills shortage. The current environment is one that demands a focus on new approaches to better leverage market conditions and mitigate risks. That all adds up to even greater demand for good skills and experience. People who can think laterally and people who can make things happen.

If that's not enough, all this money that looks like getting biffed around by government and public/private investment vehicles on broadband infrastructure is going to need a home to go.

Current assessments have it that we would not be able to physically spend all the \$1.5b pledged by the National Party before the election, plus the private sector's 1-for-1 contribution in the five year window contemplated. There aren't enough people who know how to bury fibre optic cables in the ground!

The skills shortfall is due to two main factors.

Firstly the pool has been depleted because we have not focused sufficient attention on promoting ICT as a desirable career choice for our young people. There are simply not enough people coming in at the bottom layer. Our professional bodies and associations have noticeably weakened in the past 10 years or so. And the ICT focus in our education system has appeared (to one with kids recently through their secondary schooling) to be more on 'how to use' skills than on serious consideration of ICT as a career.

To add insult to injury, this already depleted skill base is further eroded by a continuing exodus to offshore markets. As a country we haven't taken ICT seriously as an enabler of economic development until pretty much right now. That has manifested in poor infrastructure, limited opportunity to innovate and, relatively speaking, low remuneration potential.

There's been plenty of publicity and hype over the operational separation of Telecom, many mistakenly believing that with the passing of Separation Day on 31 March 2008, the job was done.

Whilst there are a number of areas where the implications of this fundamental change in the modus operandi of our biggest, and by definition most nationally important, telecommunications services provider are becoming clearer, I'll focus in on just one that concerns particularly tier #1 organisations.

The principle of 'equivalence of inputs' is a cornerstone of the separation regime. It means that the 'raw materials' provided by Telecom's wholesale arm to both Telecom itself (including the business services arm Gen-i) and other service providers must be provided on identical terms – both service standards and price. This enables those service providers, again including Telecom's, to innovate at the level of services wrapped around or manufactured out of these raw inputs.

At the tier #1 enterprise layer, we have become accustomed to being able to negotiate customized service standards with service providers. This has been an important assessment criteria when evaluating the merits of competing telecommunications services proposals. There would appear to be a real risk that Telecom's ability to deliver such tailoring of service standards as a differentiator may be undermined by equivalence. This is not a constraint faced by other service providers that have their own infrastructure.

On the face of it this would appear to be an unintended consequence of an otherwise desirable regime, and one that enterprises would do well to explore the implications of in their individual contexts.

Specific issues aside, in a national sense we really are on the cusp of change. We're emerging from a supply environment characterized by a "this is what we sell, therefore this is what you'll buy" culture where suppliers made the rules. The balance of power is shifting steadily towards the customer. But you have to claim that territory.

As we hunker down to ride out a recession that looks like enduring through the next year, give some serious consideration to how to be smart with the resources we have as a country. If we all look to effectively leverage capability in our own contexts the duplication and inefficiencies that undermine economic growth will be minimised. Reality is that our largely offshore-based ICT suppliers with shareholder returns imperatives aren't going to be at the forefront of driving this.

The bottom line is that as a nation, we do need to be thinking long term about where the world will be and what we want New Zealand's place in it to look like. A national vision to give context to our digital aspirations and the investments that underpin it, and to the trajectory we want to be on as we emerge from the downturn. Developing that is the job of all of us.